

M e m o r a n d u m

To: Panel Members

Date: September 22, 2006

From: Dolores Kendrick, Manager

Analyst: M. Reeves

Subject: One-Step Agreement for **NDC INFRARED ENGINEERING, INC.**

CONTRACTOR:

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Promotion of California's Manufacturing Workforce Moving To A High Performance Workplace
- Type of Industry: Manufacturing
- Repeat Contractor: Yes
- Contractor's Full-Time Employees
 - *Worldwide:* 6,000
 - *In California:* 73
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

CONTRACT:

- Program Costs: \$72,576
- Substantial Contribution: \$0
- Total ETP Funding: \$72,576
- Total In-kind Contribution: \$110,543
 - *Trainee Wages Paid During Training:* \$110,543
 - *Other Contributions:* \$0
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Los Angeles

INTRODUCTION:

NDC Infrared Engineering, Inc. (NDC) manufactures and markets on-line thickness measuring instruments and control systems. The company's thickness gauging and precision measurement technology is used in the paper, plastics, rubber, textiles, food, tobacco, recording media, film, and pharmaceutical industries.

NDC qualifies for standard ETP funding as a manufacturing company facing out-of-state competition, as specified under Title 22 California Code of Regulations, Section 4416(b). NDC proposes to retrain 56 of its workers in the skills necessary for the company to transition to a high performance workplace.

MEETING ETP GOALS AND OBJECTIVES:

NDC proposes training that will further the following ETP goals and objectives:

- 1) To promote California's manufacturing workforce.
- 2) To foster job retention in industries threatened by out-of-state competition.
- 3) To provide workers with the skills necessary to transition to a high performance workplace.

TRAINING PLAN TABLE:

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 Retrainee	MENU: Business Skills Computer Skills Continuous Improvement Management Skills	56	50 - 100	0	\$1,296	\$13.10 - \$53.22
Wages After 90-Day Retention						
<u>Occupation</u>						
Administrative Support Staff Engineer Material Support Staff Operations Support Staff Project Manager System Technician Manager						
<u>Health Benefits Used To Meet ETP Minimum Wage:</u>					<u>Turnover Rate</u>	<u>% Of Mgrs & Supervisors To Be Trained:</u>
Although the employer pays health benefits, the hourly contribution is not being used to meet the ETP minimum wage requirement.					16%	16%
<u>Other Employee Benefits:</u>						
401(k) Retirement Program, Wellness Program, Vacation, Sick, Holiday, Life Insurance, Educational Program.						

COMMENTS / ISSUES:

➤ **Frontline Workers**

All participants in this project meet the Panel definition of frontline workers under Title 22 California Code of Regulations, Section 4400(ee), except for nine managers.

➤ **Production During Training**

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

RECOMMENDATION:

Staff recommends that the Panel approve this proposal based on NDC's stated need to implement process improvements necessary to continue manufacturing products at a competitive price, enabling the company to remain a viable business in the challenging California market.

NARRATIVE:

NDC was formed in 1998 from the merger of two companies: NDC Systems, Inc. (formerly known as Nucleonics Development Company) and Infrared Engineering, Ltd. Both companies have histories dating back to the 1960s. NDC is a wholly owned subsidiary and one of 16 business units owned by Spectris plc. The parent company develops and markets precision instrumentation and controls.

NDC has two manufacturing facilities: one in Irwindale, California and the other in Maldon, Essex, England. The Irwindale location manufactures NDC gauging systems and the Maldon location produces infrared sensors. The company has sales and service representatives throughout the United States, as well as sales offices in more than 50 countries around the world. NDC's customers include well-known companies such as PepsiCo, 3M, Amoco, Kodak, Goodyear, Dupont, Nestle, Nabisco, and International Paper.

NDC designs and manufactures continuous process measuring instruments used in a wide variety of manufacturing industries including plastics, pulp and paper, food, chemicals, and timber. The company's product line includes analyzers that can measure moisture, content level (oil, fat, protein, sugar, alcohol, nicotine, etc.), and consistency in foods, paper, and tobacco products. The company's on-line measurement gauges and infrared sensors are commonly used to measure coating weight and plastic film thickness. NDC's technology solutions are designed to help businesses improve product uniformity and quality; reduce material usage and scrap; and minimize costly laboratory testing.

To remain competitive in the precision instrumentation and controls industry, NDC must implement process changes at its California plant that will foster cross-functional, high-performing departments. In response to rising manufacturing costs in California, NDC is resolute in transforming its organization into an agile, lean, and revenue-focused operation. In order to achieve its redefined efficiency goals, NDC must equip its workers with the skills to solve problems and make critical decisions that will allow them to adapt more quickly to organizational and technological changes. To facilitate its movement towards a high performance workplace, NDC invested \$105,000 in new technology and manufacturing equipment in 2005 and the company expects to spend an additional \$120,000 on new equipment and tooling in 2006.

Business Skills training will be provided to all occupations to improve their ability to communicate more effectively with both internal and external customers. This training will teach trainees how to establish and maintain lasting relationships with valued clients. Time management and organizational skills training will help employees become more efficient at handling multiple tasks.

Computer Skills training will be delivered to all trainees. This training will help workers become more proficient at using the company's Material Resource Planning system. Trainees will learn automated solutions to reducing operating costs.

NARRATIVE: (continued)

Continuous Improvement training will focus on quality, teamwork, and lean manufacturing. All trainees will participate in these modules. Trainees will learn to work in cohesive, high-performing teams to solve problems and implement process improvements. This training will enable NDC to reduce cycle times, minimize wastes, improve productivity, and increase profit margins.

Management Skills training will help managers improve their leadership skills. Managers will learn effective supervisory techniques intended to promote confidence, teamwork, and initiative among frontline workers. These training modules will help NDC develop the internal leaders needed to establish self-managed teams within the organization.

Commitment to Training

NDC representatives state that ETP funding under this proposed Agreement will not displace the employer's resources for training. Currently, NDC trains all employees in diversity awareness, new hire orientation and safety; and trains all managers and supervisors in selected aspects of human resources. In addition, manufacturing employees receive minimal on-the-job training in office automation skills. However, NDC has not been providing consistent, structured training of the type set forth in this proposal.

NDC expects the proposed training to foster a new culture of employee empowerment and accountability focused on lean, responsive, and efficient manufacturing processes. The company anticipates that the training will enhance workers' ability to solve problems and make decisions that will add value at each level of the organization.

At the completion of ETP-funded training, NDC's leadership team will continue to evaluate departmental and individual training needs in order to formulate on-going training initiatives. As part of the company's strategic goal setting process, managers will be tasked with determining the training requirements for the subsequent year.

SUBCONTRACTORS:

Bolero Associates LLC, Orange, California, will provide administrative services to NDC in connection with this proposal. By contractual arrangement between NDC and Bolero Associates LLC, ETP funds will be used to pay for said services for an amount not to exceed 13 percent of the payment earned. Bolero Associates LLC will provide training services in Business Skills, Continuous Improvement, and Management Skills for an amount not to exceed \$41,000.

THIRD PARTY SERVICES:

Bolero Associates LLC, Orange, California, assisted NDC in developing this proposal for a flat fee in the amount of \$3,500.

NDC Infrared Engineering, Inc.

Menu Curriculum

Class/Lab Hours
(50-100)

Trainees will receive any of the following types of training:

Business Skills

- Business Financial Skills Training
- Contract Skills Training
- Communication Skills
- Logistics Skills Training
- Meeting Customer Expectation Training
- Project Management Training
- Time Management & Organization Skills Training

Computer Skills

- Material Resource Planning (MRP) Skill Training

Continuous Improvement Skills

- Language of Quality
- Lean Manufacturing 5-Ss
- Lean Manufacturing Overview Training
- Performance Management Training
- Quality Tool and Methods Training
- Quick Response Manufacturing Techniques
- Supply Chain Management Overview Training
- Supply Chain Management Strategy Training
- Supply Chain Management Tactics Training
- Team Building Basic Skills
- Teaming For Results Skill Training

Management Skills (for managers only)

- 17 Irrefutable Laws of Teamwork
- 21 Irrefutable Laws of Leadership
- Accountable Leadership Training
- Change Management Overview and Strategy Training
- NDC Leadership Training
- Supervisory Skills Training

<p><u>Comment:</u> The parties agree that the training identified in this Curriculum may be revised from time-to-time during the term of this Agreement at the request of Contractor and with the prior written approval of ETP. (See also Section 12 in this Agreement.)</p>
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